



# Project Educo

BlueMount Capital is mandated to assist Project Educo (“Educo”, “the Company”) with raising \$1,250,000 in equity for 10.27% of the Company to expand its current operations.

Project Educo is an Australian company offering a growing range of software and hardware technology solutions to support schools, educators, teachers and students to enable more effective teaching and learning.

Company Overview	
<b>Based</b>	Gold Coast, Australia
<b>Founded</b>	2001
<b>FTE Employees</b>	14
<b>Industry Sector</b>	Education and IT
<b>Product</b>	Education Software and Technology for In-Classroom teaching
<b>Status</b>	Expansion
<b>Requirement</b>	\$1.25m
<b>Valuation (pre money)</b>	\$10m
<b>Type of Raise</b>	Equity: 10.27%
<b>Use of Funds</b>	Expanding the current operations
<b>Exit</b>	IPO in 2-3 years
<b>Minimum Investment</b>	\$25,000
<b>Share Price</b>	\$1.01

Company Financials		
Year	Revenue	Operating Profits
<b>2020 (A)</b>	\$8.9m	\$0.083m
<b>2021 (A)#</b>	\$7.1m	\$0.616m
<b>2022 (F)</b>	\$7.7m	\$1.665m

# The Company sold off the business of distributing audio visual products during the year as it prefers to focus on its software business with higher profit margins. This has led to a reduction in the Company’s revenue.

## Key Investor Highlights

### Company Status:

- Project Educo focusses on ‘In-Classroom’ technology, and has an unrivalled solution offering in the Australian market.
- Headquartered on the Gold Coast in Queensland, Australia.
- Strong management team with industry specific expertise and proven execution.
- Project Educo has a well-established service and support network throughout Australia and products owned and distributed by the Company have been installed in around 75% of Australian schools and 14,000 homes over the last two decades.
- The Company has a strong portfolio of intellectual property assets including its software portfolio, trade names and designs.
- The Company is currently turning over \$9m at an average GP margin of over 41%.
- Project Educo’s clients include all Australian education departments and schools (K-12) including private, public, independent and special needs schools, pre-schools, QLD Childcare services, etc.
- On completion of this capital raise, the Company is expected to move to annual recurring revenues upwards of \$10m in 2023FY; and
- The Company is seeking to expand their operations to cater for the strong growth in the education sector.

### Ask

Project Educo is looking for at least \$1,250,000 in equity to expand the current operations.

The closing date of this offer is 31<sup>st</sup> July 2021.

Please note: All currency in this document refers to AUD unless otherwise indicated.

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## The Company

Project Educo provides the technology for teaching and learning through a range of software solutions (language, literacy, mathematics, learning skills) via an “internet portal” and software packages, interactive technologies, computers, and hardware solutions.

The Company was awarded the Interactive Solutions supplier contract for Queensland Education in January 2019 and has also been successful in securing the supply contract for Online Instructional Software resources for Queensland. In addition, its interactive panel range, a company owned brand, was added to the New South Wales government’s approved product list in 2018.

The business model of the Company is well proven and has yielded growth and expansion. It is backed by:

- A skilled and successful management team.
- A rapidly growing market.
- A carefully balanced mix of proprietary software, hardware development and integration.
- New market opportunities.
- Additional profits generated by reduction of borrowings<sup>1</sup>.
- Return on Project Educo’s upgraded and redeveloped IP and converting its stand-alone system customer base to an online subscription base.

## Products and Services

The main products and services of Project Educo are:

- **Education Software Solutions.**
- **Interactive Hardware Solutions; and**
- **Professional Services:** Technical Support and Installation as well as Professional Development.

## Customers

- Strong government and school client base.
- 75% of Australian schools use Project Educo’s education solutions and products along with 14,000 additional home users;
- Project Educo clients include all Australian education departments, and schools (K-12) including private, public, independent, and special needs schools, pre-schools, QLD Childcare services, etc.

## The Market

According to *AUSTRALIAN EDUCATION TECHNOLOGY EDUCATION OF THE FUTURE NOW* published by the Australian Investment and Trade Commission<sup>1</sup>, the findings of the edtech industry in Australia are as follows:

- In its most recent analysis of the industry, Frost & Sullivan found that the Australian edtech market is expected to grow to **\$1.7 billion** by 2022. The market is expected to grow significantly amidst increasing student demand for education services and technology innovation, competition amongst institutions and decreasing acquisition costs.
- Of the almost 200 edtech companies surveyed by EduGrowth in 2017, almost half offer solutions for the secondary school sector and over 40 per cent offer solutions for the university sector. The majority of Australian edtech solutions are Software as a Service (SaaS) and app-based solutions, with a relatively even split between B2B (Business to Business) and B2C (Business to Consumer) business models.
- Australia’s reputation in delivering high quality education has long been recognised domestically and in international markets. These same credentials have translated to the Australian edtech industry as well.
- Australia is the world’s third most popular destination for students. International education is Australia’s third largest export, valued at \$22.4 billion in 2016 and supports more than 130,000 Australian jobs.
- While there is strong forecast demand for ongoing delivery of education in Australia, the greatest emerging opportunities will be borderless and enabled by edtech. Research by Deloitte Access Economics forecasts one billion prospective learners across 29 markets by 2025.

## Target Market

Project Educo is targeting continued expansion in the Australian K-12 market through providing its core software solutions, via its portal, that allow school administrators and teachers to manage classrooms and students. The company has been converting “off-line” users to the on-line subscription model via the portal and is accessing the strong growth as schools’ transition from traditional textbooks to online learning resources. By the end of June 2019 over 6,530 teachers will access products subscribed to by the schools via the portal.

In addition to the above Project Educo owns and distributes the EduTouch range of Interactive displays, now used in over 12% of Australian schools. Access to the portal is embedded in the panel firmware and accessible from the start-up screen. In addition to the company owned software 3<sup>rd</sup> party software can also be added to the portal enabling an expansion of solutions being provided to users.

<sup>1</sup> <https://www.austrade.gov.au/edtech/australian-education-technology-report-2017.pdf>

Project Educo focusses primarily on 'In-Classroom' technology, and its overall solutions offering is unrivalled in the Australian Market, and with the access points noted above, Project Educo is poised for rapid growth over the next couple of years.

### Use of Funds

Project Educo is looking for at least \$1,250,000 in equity to expand the current operations with the breakdown of the use as follows.

	Amount (\$)
Working Capital	\$550,000
Software upgrade	\$250,000
R&D	\$250,000
Marketing	\$125,000
Capital Raising Fees	\$75,000
<b>Total</b>	<b>\$1,250,000</b>

### Exit Strategy

The management team considers an exit through trade sale or an Initial Public Offering (IPO) on a suitable Australian stock exchange in 2-3 years' time.

### Valuation

There was one relevant education software and hardware technology solutions transaction extracted from *Mergermarket* which can provide reference to the valuation methodology for Project Educo:

#### **Kapish Services Pty. Ltd – The Citadel Group Limited.**

In 2016, The Citadel Group Limited, a listed Australia-based provider of education and technology solutions, acquired Kapish Services Pty. Ltd, an Australia based company engaged in software development and providing software related service, for a consideration of approximately \$17.5m. Kapish was expected to add EBITDA of \$4m in Citadel for the year 2017.

Hence, the EBIT multiple of the above transaction is estimated to be around 4.5x.

Based on the above transaction, the EBITDA multiple is 4.5x. If the above EBITDA multiple (i.e. 4.5x) and the average of EBITDA of Project Educo for 2020FY to 2022FY (i.e. \$2.2m) is used, the estimated value of the Company will be approximately \$10m. The value of Project Educo is therefore estimated to be \$10m.

The above valuation is for reference only and any potential investors, funders or buyers should consider various factors and may appoint independent valuation firms to perform the valuation of the Company.

## Financials

Income Statement (\$) #			
	2018FY	2019FY	2020FY#
Revenue	10,229,729	10,902,756	8,628,720
Cost of Goods Sold	(7,055,453)	(7,422,286)	(5,939,105)
Gross Profit	3,174,276	3,480,471	2,689,615
Operating Expenses	(2,977,495)	(2,876,661)	(2,605,840)
Normalized EBITDA	196,781	603,810	83,775

Financial Forecast (\$) #			
	2021FY	2022FY	2023FY
Revenue	7,125,220	7,744,410	10,038,463
Cost of Sales	(4,204,735)	(3,879,041)	(4,338,476)
Gross Profit	2,920,485	3,865,369	5,697,987
Operating Expenses	(2,304,235)	(2,199,657)	(2,198,370)
EBITDA	616,250	1,665,712	3,499,617

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